

Fairview City  
Sanpete County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2005

Fairview City  
**TABLE OF CONTENTS**  
June 30, 2005

	Beginning on <u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	15
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	18
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	41
Notes to Requires Supplementary Information	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	44

Continued on next page

Fairview City  
**TABLE OF CONTENTS (continued)**  
June 30, 2005

	Beginning on <u>Page</u>
Continued from previous page	
<i>Government Auditing Standards Report</i>	45
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
State Compliance Report	49
Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations	51
Management Letter	53
Current Year Findings	55
Status of Prior Year Findings	56
Single Audit Reports	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	61
Schedule of Findings and Questioned Costs	63
Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards	65



## INDEPENDENT AUDITOR'S REPORT

October 7, 2005

Honorable Mayor  
Members of the City Council  
City of Fairview, Utah

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairview City, as of and for the year ended June 30, 2005, which collectively comprise Fairview City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fairview City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairview City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SANDY OFFICE  
9065 SOUTH 1300 EAST  
SANDY, UTAH 84094  
(801) 313-1900  
FAX (801) 313-1912

SPANISH FORK OFFICE  
765 NORTH MAIN  
SPANISH FORK, UTAH 84660  
(801) 798-3545  
FAX (801) 798-3678

MOAB OFFICE  
121 EAST 100 SOUTH SUITE 104  
MOAB, UTAH 84532  
(435) 259-9100  
FAX (801) 259-9100

The Management's Discussion and Analysis and other required supplementary information on pages 3-12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005, on our consideration of Fairview City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Larson & Company*

Larson & Company  
Certified Public Accountants

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Fairview City  
**Management's Discussion and Analysis**  
June 30, 2005

As management of Fairview City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the City as a whole increased by \$2,920,018.
- \*Total unrestricted net assets for the City as a whole decreased by \$144,397.
- \*Total net assets for governmental activities increased by \$90,606.
- \*Total net assets for business-type activities increased by \$2,829,412.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Fairview City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.



Fairview City  
**Management's Discussion and Analysis**  
June 30, 2005

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's maintains one major governmental fund, the general fund.

The City adopts an annual appropriated budget for its general and cemetery perpetual care funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and electric utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Fairview City  
Management's Discussion and Analysis  
June 30, 2005

**FINANCIAL ANALYSIS**

**Fairview City's Net Assets**

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and other assets	\$ 243,148	102,592	554,837	1,812,053	797,985	1,914,645
Net capital assets	<u>1,122,743</u>	<u>1,179,757</u>	<u>10,764,328</u>	<u>4,410,453</u>	<u>11,887,071</u>	<u>5,590,210</u>
<b>Total assets</b>	<b><u>1,356,891</u></b>	<b><u>1,280,177</u></b>	<b><u>11,328,165</u></b>	<b><u>6,224,678</u></b>	<b><u>12,685,056</u></b>	<b><u>7,504,855</u></b>
Current liabilities	77,585	35,416	330,921	9,662	408,505	45,078
Long-term liabilities	<u>338,000</u>	<u>394,000</u>	<u>5,649,554</u>	<u>3,696,738</u>	<u>5,987,554</u>	<u>4,090,738</u>
<b>Total liabilities</b>	<b><u>415,585</u></b>	<b><u>429,416</u></b>	<b><u>5,980,475</u></b>	<b><u>3,706,400</u></b>	<b><u>6,396,060</u></b>	<b><u>4,135,816</u></b>
Net assets:						
Capital assets, net of debt	784,743	785,757	5,423,253	713,716	6,207,996	1,499,473
Restricted	140,688	124,657	27,413	1,687,553	168,101	1,812,210
Unrestricted	<u>15,876</u>	<u>(59,713)</u>	<u>(102,976)</u>	<u>117,009</u>	<u>(87,101)</u>	<u>57,296</u>
<b>Total net assets</b>	<b>\$ <u>941,307</u></b>	<b><u>850,701</u></b>	<b><u>5,347,690</u></b>	<b><u>2,518,278</u></b>	<b><u>6,288,997</u></b>	<b><u>3,368,979</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$6,288,997, an increase of \$2,920,018 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are a negative \$87,101, which represents a decrease of \$144,397 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Fairview City  
Management's Discussion and Analysis  
June 30, 2005

**FINANCIAL ANALYSIS (continued)**

**Fairview City's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Program revenues:</b>						
Charges for services	\$ 173,667	48,089	907,995	934,795	1,081,662	982,884
Operating grants	52,496	103,744	-	-	52,496	103,744
Capital grants	26,835	239,900	2,959,409	790,700	2,986,244	1,030,600
<b>General revenues:</b>						
Property taxes	66,542	69,817	-	-	66,542	69,817
Sales tax	125,811	119,587			125,811	119,587
Other taxes	(162)				(162)	-
Other revenues	<u>12,891</u>	<u>73,212</u>	<u>53,208</u>	<u>38,961</u>	<u>66,099</u>	<u>137,311</u>
<b>Total revenues</b>	<b><u>458,081</u></b>	<b><u>654,349</u></b>	<b><u>3,920,611</u></b>	<b><u>1,764,456</u></b>	<b><u>4,378,692</u></b>	<b><u>2,418,805</u></b>
<b>Expenses:</b>						
General government	225,340	185,563			225,340	185,563
Public safety	190,153	149,738			190,153	149,738
Highways and improvements	34,107	38,672			34,107	38,672
Parks and recreation	93,151	124,696			93,151	124,691
Interest on long-term debt	8,209	-			8,209	-
Water			229,176	247,352	229,176	247,352
Sewer			57,550	56,727	57,550	56,727
Electric			<u>620,990</u>	<u>515,823</u>	<u>620,990</u>	<u>515,823</u>
<b>Total expenses</b>	<b><u>550,960</u></b>	<b><u>498,669</u></b>	<b><u>907,715</u></b>	<b><u>819,902</u></b>	<b><u>1,458,675</u></b>	<b><u>1,318,571</u></b>
<b>Excess (deficiency) before transfers and contributions</b>	<b>(92,880)</b>	<b>155,680</b>	<b>3,012,897</b>	<b>944,554</b>	<b>2,920,017</b>	<b>1,100,234</b>
Transfers	<u>183,485</u>	<u>(234,000)</u>	<u>(183,485)</u>	<u>234,000</u>	-	-
<b>Change in net assets</b>	<b>\$ <u>90,605</u></b>	<b><u>(78,320)</u></b>	<b><u>2,829,412</u></b>	<b><u>1,178,554</u></b>	<b><u>2,920,017</u></b>	<b><u>1,100,234</u></b>

Total revenues increased by \$1,958,887, while total expenses increased by \$140,104. The total net increase for the year of \$2,920,017 is an increase from the previous year of \$1,819,783.

Governmental activities revenue of \$458,081 is a decrease of \$196,268 from the previous year. The major difference was that there were bonds issued during the prior year. Governmental activities expense of \$550,960 is an increase of \$52,291 from the previous year. This is primarily a result of increased administrative costs during the year.

Business-type activities revenue of \$3,920,612 is an increase of \$2,156,156 from the previous year. This is a result of operating grants to the sewer system. Business-type activities expense of \$907,715 is an increase of \$87,813 from the previous year. This is a result of an increase in operations salaries and wages, and operations benefits.

Fairview City  
**Management's Discussion and Analysis**  
June 30, 2005

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets, and any restrictions on those amounts, are described below:

*General Fund*

The fund balance of \$110,192 reflects a decrease of \$12,293 from the previous year. Total revenues decreased by \$172,687. Tax revenues, including property taxes and sales taxes increased by \$2,787. Intergovernmental revenue decreased by \$259,313. All other revenues increased by \$83,839.

Total expenditures decreased by \$187,105. Expenditure changes, by department, were: administrative increased by \$30,765, public safety (fire and police) decreased by \$249,468, parks and recreation decreased by \$10,301, and streets and highways decreased by \$1,261.

*Water Fund*

Amount restricted for debt service is \$27,413. Unrestricted net assets is a deficit in the amount of \$19,991.

*Sewer Fund*

Grant revenues totaling \$2,959,409 were received during the year, resulting in a net change in net assets of \$2,998,288. Unrestricted net assets is a deficit in the amount of \$251,709.

*Electric Fund*

Unrestricted net assets is in the amount of \$168,724.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$616,019. This amount was changed in the final budget to \$459,450.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$573,240. This amount was amended in the final budget to \$527,500.

Net transfers for the year were originally budgeted with out-going transfers exceeding incoming transfers by \$42,779. The final net transfer budget projected an excess of incoming transfers of \$68,485.

Fairview City  
Management's Discussion and Analysis  
June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Fairview City's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Net Capital Assets:</b>						
Land and water rights	\$ 75,160	75,160	10,438	10,438	85,597	85,597
Buildings and improvements	713,790	755,967	65,137	67,580	778,927	823,547
Equipment	319,425	348,631	74,307	86,602	393,732	435,233
Infrastructure			2,189,950	2,308,665	2,189,950	2,308,665
Work in progress	<u>14,369</u>		<u>8,424,496</u>	<u>1,937,168</u>	<u>8,438,865</u>	<u>1,937,168</u>
<b>Totals</b>	<b><u>\$1,122,743</u></b>	<b><u>1,179,757</u></b>	<b><u>10,764,328</u></b>	<b><u>4,410,453</u></b>	<b><u>11,887,071</u></b>	<b><u>5,590,210</u></b>

The total amount of capital assets, net of depreciation, of \$11,887,071 is an increase of \$6,296,861 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,122,743 is a decrease of \$57,014 from the previous year.

Business-type activities capital assets, net of depreciation, of \$10,764,328 is an increase of \$6,353,875 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Fairview City  
Management's Discussion and Analysis  
June 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Fairview City's Outstanding Debt - Revenue Bonds**

	Current <u>Year</u>	Previous <u>Year</u>
Governmental activities:		
GLTD GO bond	\$ 140,000	160,000
GLTD Class C bond	<u>198,000</u>	<u>234,000</u>
<b>Total governmental</b>	<b><u>338,000</u></b>	<b><u>394,000</u></b>
Business-type activities:		
GMAC bond	37,500	40,214
BWR bond	650,000	669,000
RDA Bond	565,524	562,054
PCIFB bond	1,000,000	1,000,000
UtahWQ bond	2,400,000	100
USDA RUS bond	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total business-type</b>	<b><u>5,618,992</u></b>	<b><u>3,246,917</u></b>
<b>Total outstanding debt</b>	<b><u>\$5,956,992</u></b>	<b><u>3,640,917</u></b>

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fairview City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 21 East 100 North, Fairview, UT, 84648.

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**BASIC FINANCIAL STATEMENTS**



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Fairview City  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 172,216	141,389	313,606	30,934
Receivables	70,932	77,555	148,487	-
Interfund	(9,000)	9,000	-	-
Total current assets	<u>234,148</u>	<u>227,944</u>	<u>462,093</u>	<u>30,934</u>
Non-current assets:				
Restricted cash and cash equivalents	-	335,892	335,892	55,269
Capital assets, net of depreciation	1,122,743	10,764,328	11,887,071	10,107
Total non-current assets	<u>1,122,743</u>	<u>11,100,221</u>	<u>12,222,964</u>	<u>65,376</u>
<b>TOTAL ASSETS</b>	<b><u>1,356,891</u></b>	<b><u>11,328,165</u></b>	<b><u>12,685,056</u></b>	<b><u>96,310</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	10,854	253,518	264,372	-
Compensated absences	19,777	-	19,777	-
Customer security deposits	-	63,486	63,486	-
Accrued interest payable	1,050	13,917	14,967	-
Deferred revenues	45,904	-	45,904	-
Revenue bonds due within one year	<u>57,000</u>	<u>126,244</u>	<u>183,244</u>	-
Total current liabilities	<u>134,585</u>	<u>457,165</u>	<u>591,750</u>	-
Non-current liabilities:				
Revenue bonds due after one year	<u>281,000</u>	<u>5,523,310</u>	<u>5,804,310</u>	-
Total non-current liabilities	<u>281,000</u>	<u>5,523,310</u>	<u>5,804,310</u>	-
<b>TOTAL LIABILITIES</b>	<b><u>415,585</u></b>	<b><u>5,980,475</u></b>	<b><u>6,396,060</u></b>	-
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	784,743	5,423,253	6,207,996	10,107
Restricted for:				
Recreation	5,525	-	5,525	-
Debt service requirements	-	27,413	27,413	-
Class C roads	52,492	-	52,492	-
Cemetery	82,671	-	82,671	-
Museum	-	-	-	55,269
Unrestricted	<u>15,876</u>	<u>(102,976)</u>	<u>(87,101)</u>	<u>30,934</u>
<b>TOTAL NET ASSETS</b>	<b><u>941,307</u></b>	<b><u>5,347,690</u></b>	<b><u>6,288,997</u></b>	<b><u>96,310</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,356,891</u></b>	<b><u>11,328,165</u></b>	<b><u>12,685,056</u></b>	<b><u>96,310</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**Statement of Activities**  
For the Year Ended June 30, 2005

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
<b>Primary government:</b>					
Governmental activities:					
General government:					
Justice court	\$ 12,882	14,841	-	-	1,959
Administration	212,458	6,873	-	-	(205,585)
Public safety:					
Police	121,374	-	1,001	7,500	(112,872)
Fire	68,779	31,842	-	17,972	(18,965)
Highways and public improvements:					
Street and highways	8,052	-	51,494	-	43,442
Waste disposal	26,054	25,747	-	-	(308)
Parks and recreation:					
Parks	31,886	1,304	-	1,363	(29,219)
Recreation	56,124	70,426	-	-	14,302
Cemetery	5,141	22,635	-	-	17,494
Interest on long-term debt	<u>8,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,209)</u>
<b>Total governmental activities</b>	<b><u>550,960</u></b>	<b><u>173,667</u></b>	<b><u>52,496</u></b>	<b><u>26,835</u></b>	<b><u>(297,962)</u></b>
Business-type activities:					
Water	229,176	201,051	-	-	(28,124)
Sewer	57,550	39,430	-	2,959,409	2,941,288
Electric	<u>620,990</u>	<u>720,722</u>	<u>-</u>	<u>-</u>	<u>99,732</u>
<b>Total business-type activities</b>	<b><u>907,715</u></b>	<b><u>961,203</u></b>	<b><u>-</u></b>	<b><u>2,959,409</u></b>	<b><u>3,012,896</u></b>
<b>Total primary government</b>	<b><u>\$1,458,675</u></b>	<b><u>1,134,870</u></b>	<b><u>52,496</u></b>	<b><u>2,986,244</u></b>	<b><u>2,714,934</u></b>
<b>Component unit:</b>					
Fairview museum	<u>30,542</u>	<u>73,332</u>	<u>17,357</u>	<u>-</u>	<u>60,147</u>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**Statement of Activities (continued)**  
For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>CHANGE IN NET ASSETS:</b>				
Net (expense) revenue (from previous page)	<u><b>\$(297,962)</b></u>	<u><b>3,012,896</b></u>	<u><b>2,714,934</b></u>	<u><b>60,147</b></u>
General revenues:				
Property tax	66,542	-	66,542	-
Franchise tax	(162)	-	(162)	-
Sales taxes	125,811	-	125,811	-
Unrestricted investment earnings	2,700	-	2,700	212
Miscellaneous	(3,305)	-	(3,305)	906
Special item:				
Gain on sale of building	<u>13,496</u>	<u>-</u>	<u>13,496</u>	<u>-</u>
<b>Total general revenues and special item</b>	<u><b>205,082</b></u>	<u><b>-</b></u>	<u><b>205,082</b></u>	<u><b>1,118</b></u>
Transfers	<u>183,485</u>	<u>(183,485)</u>	<u>-</u>	<u>-</u>
<b>Total general revenues, special item, and transfers</b>	<u><b>388,567</b></u>	<u><b>(183,485)</b></u>	<u><b>205,082</b></u>	<u><b>1,118</b></u>
<b>Change in net assets</b>	<u><b>90,605</b></u>	<u><b>2,829,411</b></u>	<u><b>2,920,016</b></u>	<u><b>61,265</b></u>
Net assets - beginning	<u>850,701</u>	<u>2,518,278</u>	<u>3,368,979</u>	<u>82,211</u>
<b>Net assets - ending</b>	<u><b>\$ 941,307</b></u>	<u><b>5,347,690</b></u>	<u><b>6,288,996</b></u>	<u><b>143,476</b></u>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$172,216	-	172,216
Receivables	70,932	-	70,932
Interfund	<u>43,801</u>	<u>76,199</u>	<u>120,000</u>
<b>TOTAL ASSETS</b>	<b><u>286,949</u></b>	<b><u>76,199</u></b>	<b><u>363,148</u></b>
<b>LIABILITIES:</b>			
Accounts payable	10,854	-	10,854
Due to other funds	120,000	9,000	129,000
Deferred revenues	<u>45,904</u>	<u>-</u>	<u>45,904</u>
<b>TOTAL LIABILITIES</b>	<b><u>176,758</u></b>	<b><u>9,000</u></b>	<b><u>185,758</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Recreation	5,525	-	5,525
Roads	52,492	-	52,492
Cemetery	-	82,671	82,671
Unreserved, reported in:			
General fund	52,175	-	52,175
Redevelopment fund	-	(30,159)	(30,159)
Cemetery fund	-	30,449	30,449
Capital projects fund	<u>-</u>	<u>(15,763)</u>	<u>(15,763)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>110,192</u></b>	<b><u>67,199</u></b>	<b><u>177,391</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$286,949</u></b>	<b><u>76,199</u></b>	<b><u>363,148</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes	\$192,191	-	192,191
Licenses and permits	3,521	-	3,521
Intergovernmental revenues	79,331	-	79,331
Charges for services	153,597	-	153,597
Fines and forfeitures	14,841	-	14,841
Interest	1,317	1,383	2,700
Miscellaneous revenue	<u>31,331</u>	<u>(3,828)</u>	<u>27,503</u>
<b>Total revenues</b>	<b><u>476,129</u></b>	<b><u>(2,445)</u></b>	<b><u>473,684</u></b>
<b>EXPENDITURES:</b>			
General government	225,776	48	225,824
Public safety	161,859	-	161,859
Highways and public improvements	34,318	14,369	48,687
Parks, recreation and public property	71,794	-	71,794
Debt service:			
Principal	56,000	-	56,000
Interest	<u>7,160</u>	<u>-</u>	<u>7,160</u>
<b>Total expenditures</b>	<b><u>556,907</u></b>	<b><u>14,417</u></b>	<b><u>571,324</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>(80,778)</u></b>	<b><u>(16,862)</u></b>	<b><u>(97,640)</u></b>
<b>Other Financing Sources and (Uses):</b>			
Transfers in	68,485	115,000	183,485
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>68,485</u></b>	<b><u>115,000</u></b>	<b><u>183,485</u></b>
<b>Net Change in Fund Balances</b>	<b><u>(12,293)</u></b>	<b><u>98,138</u></b>	<b><u>85,845</u></b>
Fund balances - beginning of year	<u>122,485</u>	<u>(30,939)</u>	<u>91,545</u>
<b>Fund Balances - end of year</b>	<b><u>\$110,192</u></b>	<b><u>67,199</u></b>	<b><u>177,391</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2005

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ <u>177,391</u></b>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,572,412
Less accumulated depreciation	<u>(449,669)</u>
Net capital assets	<u>1,122,743</u>
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(338,000)</u>
Interest accrued but not yet paid on general long-term debt	<u>(1,050)</u>
Compensated absences	<u>(19,777)</u>
<b>Total Net Assets of Governmental Activities</b>	<b>\$ <u>941,307</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$85,845**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	26,528
Depreciation expense	<u>(67,938)</u>
Net	<u>(41,410)</u>

Retirement of fixed assets reduces the total fixed assets in the statement of net assets however, no expenditure or revenue is recognized in the statement of activities.

Book cost of retired assets	<u>(15,604)</u>
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments	<u>56,000</u>
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Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.

Accrued interest on long-term debt at end of period	<u>(1,050)</u>
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in government funds.

Change in compensated absences liability	<u>6,824</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$90,605</u></b>
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The notes to the financial statements are an integral part of this statement.



Fairview City  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ -	-	141,389	141,389
Accounts receivable	18,663	2,170	56,723	77,555
Due from other funds	-	-	62,343	62,343
<b>Total current assets</b>	<u>18,663</u>	<u>2,170</u>	<u>260,455</u>	<u>281,288</u>
Non-current assets:				
Restricted cash and cash equivalents	27,413	308,479	-	335,892
Capital assets, net of depreciation	1,945,223	8,405,323	413,782	10,764,328
<b>Total non-current assets</b>	<u>1,972,636</u>	<u>8,713,803</u>	<u>413,782</u>	<u>11,100,221</u>
<b>Total assets</b>	<u><b>1,991,299</b></u>	<u><b>8,715,973</b></u>	<u><b>674,237</b></u>	<u><b>11,381,508</b></u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	-	225,274	28,244	253,518
Due to other funds	38,654	14,689	-	53,343
Accrued interest payable	-	13,917	-	13,917
Customer deposits	-	-	63,486	63,486
Revenue bonds, current portion	28,244	98,000	-	126,244
<b>Total current liabilities</b>	<u>66,898</u>	<u>351,879</u>	<u>91,731</u>	<u>510,508</u>
Non-current liabilities:				
Revenue bonds, long-term	1,221,310	4,302,000	-	5,523,310
<b>Total non-current liabilities</b>	<u>1,221,310</u>	<u>4,302,000</u>	<u>-</u>	<u>5,523,310</u>
<b>Total liabilities</b>	<u><b>1,288,208</b></u>	<u><b>4,653,879</b></u>	<u><b>91,731</b></u>	<u><b>6,033,819</b></u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	695,669	4,313,803	413,782	5,423,253
Restricted for:				
Debt service	27,413	-	-	27,413
Unrestricted	(19,991)	(251,709)	168,724	(102,976)
<b>Total net assets</b>	<u><b>703,091</b></u>	<u><b>4,062,093</b></u>	<u><b>582,506</b></u>	<u><b>5,347,690</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$1,991,299</b></u>	<u><b>8,715,973</b></u>	<u><b>674,237</b></u>	<u><b>11,381,508</b></u>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2005

	Water Fund	Sewer Fund	Electric Fund	Total
<b>Operating income:</b>				
Charges for services	\$191,654	4,500	711,841	907,995
Other operating income	(52)	-	8,875	8,823
<b>Total operating income</b>	<b><u>191,601</u></b>	<b><u>4,500</u></b>	<b><u>720,716</u></b>	<b><u>916,817</u></b>
<b>Operating expenses:</b>				
Personal services	64,808	56,593	206,894	328,296
Utilities	13,015	891	340,951	354,858
Repairs and maintenance	15,297	-	15,228	30,525
Other supplies and expenses	14,295	65	16,190	30,550
Depreciation expense	91,728	-	41,725	133,453
<b>Total operating expense</b>	<b><u>199,143</u></b>	<b><u>57,550</u></b>	<b><u>620,990</u></b>	<b><u>877,682</u></b>
<b>Net operating income (loss)</b>	<b><u>(7,541)</u></b>	<b><u>(53,050)</u></b>	<b><u>99,726</u></b>	<b><u>39,135</u></b>
<b>Non-operating income (expense):</b>				
Impact fees	9,450	15,222	-	24,672
Interest income	-	19,708	6	19,714
Interest on long-term debt	(30,033)	-	-	(30,033)
<b>Total non-operating income (expense)</b>	<b><u>(20,583)</u></b>	<b><u>34,930</u></b>	<b><u>6</u></b>	<b><u>14,353</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>(28,124)</u></b>	<b><u>(18,120)</u></b>	<b><u>99,732</u></b>	<b><u>53,488</u></b>
Capital contributions	-	2,959,409	-	2,959,409
Transfers out	(57,000)	57,000	(183,485)	(183,485)
<b>Change in net assets</b>	<b><u>(85,124)</u></b>	<b><u>2,998,288</u></b>	<b><u>(83,753)</u></b>	<b><u>2,829,412</u></b>
<b>Net assets, beginning</b>	<b><u>788,215</u></b>	<b><u>1,063,805</u></b>	<b><u>666,259</u></b>	<b><u>2,518,278</u></b>
<b>Net assets, ending</b>	<b><u>\$703,091</u></b>	<b><u>4,062,093</u></b>	<b><u>582,506</u></b>	<b><u>5,347,690</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**STATEMENT OF CASH FLOWS**  
For the year ending June 30, 2005

	Water Fund	Sewer Fund	Electric Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	\$198,849	2,370	725,639	926,859
Cash paid to suppliers	(49,435)	(956)	(349,167)	(399,558)
Cash paid to employees	(64,808)	(56,593)	(206,894)	(328,296)
<b>Net cash provided (used) in operating activities</b>	<b><u>84,607</u></b>	<b><u>(55,180)</u></b>	<b><u>169,579</u></b>	<b><u>199,005</u></b>
<b>Cash flows from noncapital financing activities:</b>				
Change in customer deposits	-	-	60,379	60,379
Net interfund activity	(18,346)	71,689	(236,828)	(183,485)
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>(18,346)</u></b>	<b><u>71,689</u></b>	<b><u>(176,449)</u></b>	<b><u>(123,106)</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from bond issues	-	1,977,900	-	1,977,900
Cash received from capital grants	-	2,959,409	-	2,959,409
Cash from impact fees	9,450	15,222	-	24,672
Cash payments for capital assets	-	(6,242,882)	(19,173)	(6,262,055)
Cash payments for long-term debt	(25,183)	-	-	(25,183)
Cash payments for long-term debt interest	(30,033)	13,917	-	(16,116)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(45,766)</u></b>	<b><u>(1,276,435)</u></b>	<b><u>(19,173)</u></b>	<b><u>(1,341,374)</u></b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	-	19,708	6	19,714
<b>Net cash provided (used) in investing activities</b>	<b><u>-</u></b>	<b><u>19,708</u></b>	<b><u>6</u></b>	<b><u>19,714</u></b>
<b>Net increase (decrease) in cash</b>	<b>20,495</b>	<b>(1,240,217)</b>	<b>(26,038)</b>	<b>(1,245,761)</b>
Cash balance, beginning	6,918	1,548,697	167,427	1,723,042
<b>Cash balance, ending</b>	<b><u>\$ 27,413</u></b>	<b><u>308,479</u></b>	<b><u>141,389</u></b>	<b><u>477,282</u></b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	\$ -	-	141,389	141,389
Non-current restricted cash	27,413	308,479	-	335,892
<b>Total cash and cash equivalents</b>	<b><u>\$ 27,413</u></b>	<b><u>308,479</u></b>	<b><u>141,389</u></b>	<b><u>477,282</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Fairview City  
**STATEMENT OF CASH FLOWS, continued**  
For the year ended June 30, 2005

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric</u>	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$ (7,541)</b>	<b>(53,050)</b>	<b>99,726</b>	<b>39,135</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	91,728	-	41,725	133,453
Changes in assets and liabilities:				
(Increase) decrease in receivables	7,248	(2,130)	4,923	10,042
(Increase) decrease in prepayments	-	-	1,414	1,414
Increase (decrease) in payables	<u>(6,828)</u>	<u>-</u>	<u>21,790</u>	<u>14,962</u>
<b>Net cash provided in operating activity</b>	<b><u>\$84,607</u></b>	<b><u>(55,180)</u></b>	<b><u>169,579</u></b>	<b><u>199,005</u></b>

The notes to the financial statements are an integral part of this statement.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Fairview City, (the City), a municipal corporation located in Sanpete County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

**Fairview Museum** - Fairview City has oversight responsibility for the Fairview Museum. The museum financial data is included herein as a discretely presented component. Discretely presented component units are reported in a separate column in the combined financial statement to emphasize they are legally separate from the City. Financial statements for the Museum may be obtained by contacting a member of the Board of Directors of the Museum.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental fund:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The City reports the following non-major governmental funds:**

The *redevelopment fund* accounts for revenues and expenditures of the redevelopment agency.

The *capital projects fund* accounts for revenues and expenditures of the City's capital projects.

The *permanent fund* accounts for revenues and expenditures of the cemetery.

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *water fund* is used to account for the activities regarding culinary water distribution.

The *sewer fund* accounts for the activities of the sewer system.

The *electric fund* accounts for the activities of the electric utilities.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments' Fund. Additional information is contained in Note 2.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.



Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	30-45
Improvements	30-45
Water system	40
Sewer system	50
Infrastructure	30
Vehicles and equipment	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

**1-E-9. Prior period reclassification**

Governmental activities net assets reported in the prior period of \$845,671 have been increased by \$5,030 to \$850,701 which represents several immaterial reclassifications of the previous year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

The Redevelopment fund has a deficit balance at year-end of \$30,159 compared to the previous year-end deficit of \$30,111. The Capital Projects fund has a deficit balance at year-end of \$15,763 compared to the previous year-end deficit of \$116,394.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 14,475
Demand deposits - checking	45,522
Savings	223,406
Investments - PTIF	<u>366,096</u>
<b>Total cash and investments</b>	<b><u>\$649,498</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$313,606
Restricted cash and cash equivalents (non-current)	<u>335,892</u>
<b>Total cash and cash equivalents</b>	<b><u>\$649,498</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurers' Investment Pool (PTIF). PTIF is managed by the Utah State Treasurers' investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand and savings deposits, \$145,522 are covered by FDIC insurance and \$99,690 are not covered by insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year are captioned as non-current receivables. Receivables as of year end for the City's funds are shown below:

	<u>General</u> <u>Fund</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Property taxes	\$52,817	-	-	-	52,817
Customers, current	<u>19,085</u>	<u>21,088</u>	<u>2,170</u>	<u>65,897</u>	<u>108,239</u>
Total receivables	71,902	21,088	2,170	65,897	161,056
Allowance for uncollectibles	<u>(970)</u>	<u>(2,425)</u>	<u>-</u>	<u>(9,174)</u>	<u>(12,569)</u>
Net receivables	<u>\$70,932</u>	<u>18,663</u>	<u>2,170</u>	<u>56,723</u>	<u>148,487</u>

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 75,160	-	-	75,160
Construction in progress	<u>-</u>	<u>14,369</u>	<u>-</u>	<u>14,369</u>
<b>Total capital assets, not being depreciated</b>	<b><u>75,160</u></b>	<b><u>14,369</u></b>	<b><u>-</u></b>	<b><u>89,528</u></b>
Capital assets, being depreciated:				
Buildings	500,060	-	35,000	465,060
Improvements other than buildings	478,910	-	-	478,910
Machinery and equipment	<u>586,060</u>	<u>12,159</u>	<u>59,305</u>	<u>538,914</u>
<b>Total capital assets, being depreciated</b>	<b><u>1,565,029</u></b>	<b><u>12,159</u></b>	<b><u>94,305</u></b>	<b><u>1,482,884</u></b>
Less accumulated depreciation for:				
Buildings	122,618	10,610	19,396	113,831
Improvements other than buildings	100,385	15,963	-	116,349
Machinery and equipment	<u>237,429</u>	<u>41,365</u>	<u>59,305</u>	<u>219,489</u>
<b>Total accumulated depreciation</b>	<b><u>460,432</u></b>	<b><u>67,938</u></b>	<b><u>78,702</u></b>	<b><u>449,669</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>1,104,598</u></b>	<b><u>(55,779)</u></b>	<b><u>15,604</u></b>	<b><u>1,033,215</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$1,179,757</u></b>	<b><u>(41,410)</u></b>	<b><u>15,604</u></b>	<b><u>1,122,743</u></b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 6,340
Public safety - fire and police	36,993
Highways and public improvements	3,248
Parks, recreation and public property	<u>21,357</u>
<b>Total</b>	<b><u>\$67,938</u></b>

Fairview City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 10,438	-	-	10,438
Construction in progress	<u>1,937,168</u>	<u>6,487,329</u>	-	<u>8,424,496</u>
<b>Total capital assets, not being depreciated</b>	<b><u>1,947,605</u></b>	<b><u>6,487,329</u></b>	<b>-</b>	<b><u>8,434,934</u></b>
Capital assets, being depreciated:				
Water system	3,145,097	-	11,805	3,133,292
Sewer system	-	-	-	-
Electric	<u>1,280,597</u>	-	<u>12,318</u>	<u>1,268,279</u>
<b>Total capital assets being depreciated</b>	<b><u>4,425,693</u></b>	<b>-</b>	<b><u>24,123</u></b>	<b><u>4,401,571</u></b>
Less accumulated depreciation for:				
Water system	1,112,633	91,728	11,805	1,192,556
Sewer system	-	-	-	-
Electric	<u>850,213</u>	<u>41,725</u>	<u>12,318</u>	<u>879,620</u>
<b>Total accumulated depreciation</b>	<b><u>1,962,846</u></b>	<b><u>133,453</u></b>	<b><u>24,123</u></b>	<b><u>2,072,176</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>2,462,847</u></b>	<b><u>(133,453)</u></b>	<b>-</b>	<b><u>2,329,394</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$4,410,453</u></b>	<b><u>6,353,875</u></b>	<b>-</b>	<b><u>10,764,328</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$ 91,728
Sewer	-
Electric	<u>41,725</u>
<b>Total</b>	<b><u>\$133,453</u></b>

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

	<u>Receivable Funds:</u>		<u>Total</u>
	<u>Electric</u>	<u>Cemetery</u>	
<u>Payable Funds:</u>			
General	\$ -	120,000	120,000
Redevelopment agency	<u>\$9,000</u>	<u>-</u>	<u>9,000</u>
<b>Total</b>	<b><u>\$9,000</u></b>	<b><u>120,000</u></b>	<b><u>129,000</u></b>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

	<u>General Fund</u>	<u>Transfer In:</u>		<u>Total</u>
		<u>Capital Projects Fund</u>	<u>Sewer Fund</u>	
<u>Transfer out:</u>				
Water	\$ -	-	57,000	57,000
Electric	<u>\$68,485</u>	<u>115,000</u>	<u>-</u>	<u>183,485</u>
<b>Total</b>	<b><u>\$68,485</u></b>	<b><u>115,000</u></b>	<b><u>57,000</u></b>	<b><u>240,485</u></b>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-E. Long-term debt**

Long-term debt activity for the year was as follows:

	Original Principal	% Rate	6/30/2004	Additions	Reductions	6/30/2005	Due Within One Year
<b><u>Governmental activities:</u></b>							
Revenue bonds:							
Excise Tax revenue bond	\$ 234,000	0.00	\$ 234,000	-	36,000	198,000	37,000
G.O. Museum bond	200,000	0.00	160,000	-	20,000	140,000	20,000
<b>Total governmental activity long-term liabilities</b>			<b>394,000</b>	<b>-</b>	<b>56,000</b>	<b>338,000</b>	<b>57,000</b>
<b><u>Business-type activities:</u></b>							
Water fund:							
Water bond 2000A	705,000	0.00	669,000	-	19,000	650,000	19,000
Water bond GMAC	45,299	5.00	40,214	-	2,714	37,500	2,870
Water revenue USDA RDA	579,545	4.50	565,524	-	3,470	562,054	6,374
Sewer fund:							
Sewer bond 2004A	2,400,000	0.00	422,000	1,978,000	-	2,400,000	65,000
Sewer bond 2004B	1,000,000	0.00	1,000,000	-	-	1,000,000	33,000
Bond anticipation 2004	1,000,000	3.34	1,000,000	-	-	1,000,000	-
<b>Total business-type activity long-term liabilities</b>			<b>\$3,696,738</b>	<b>1,978,000</b>	<b>25,184</b>	<b>5,649,554</b>	<b>126,244</b>
<b>Total long-term liabilities</b>			<b>\$4,090,738</b>	<b>1,978,100</b>	<b>81,184</b>	<b>5,987,554</b>	<b>183,244</b>

All bonds are revenue bonds secured by the revenues of the respective water and sewer systems. Interest costs incurred in the sewer fund on bond anticipation notes during construction are capitalized as part of the cost of related assets of the Sewer fund. Total interest costs incurred was \$33,400. Total interest costs capitalized was \$33,400.

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2006	\$ 183,244	66,218	249,462
2007	1,185,684	64,784	1,250,468
2008	194,144	29,732	223,876
2009	195,627	27,881	223,509
2010	198,133	25,871	224,004
2011-2015	760,133	116,947	877,080
2016-2020	783,947	102,947	886,893
2021-2025	837,528	89,152	926,680
2026-2030	739,783	71,897	811,680
2031-2035	742,383	50,297	792,680
2036-2040	134,422	23,258	157,680
2041-2045	32,526	842	33,369
<b>Total</b>	<b>\$5,987,554</b>	<b>669,826</b>	<b>6,657,380</b>



Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

**Plan Description:**

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

The City is required to contribute a percent of covered salary to the following system: 11.09% to the Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 for the Noncontributory System were, respectively, \$35,889, \$29,779, and \$27,124. The contributions were equal to the required contributions for each year.

**IRC Code Section 401k Plan:**

The City participates in a 401k plan offered through the Utah State Retirement Systems. The City's contribution for the year ended June 30, 2005, based on 2.65 % of eligible wages, amounted to \$8,576.

Fairview City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**4-C. Electrical power purchase agreement**

**Hunter II Power Project**

On June 30, 1981, the City entered into a power purchase contract with Utah Associated Municipal Power Systems (UAMPS). UAMPS is a consortium of 21 municipalities agreeing to purchase electrical power produced at the "Hunter II" power plant. In order to enable UAMPS to make the loan and to issue its bonds to pay the cost of acquiring and constructing the Hunter Project, it was necessary for UAMPS to have substantially similar binding contracts with the participants, to pledge the payments required to be made in accordance with such contracts with respect to the pre-acquisition costs to the payment of the loan and to pledge the other payments required to be made in accordance with such contracts as security for the payment of the bonds.

In the event of any default, the participant shall not be relieved of its liability for payment of the amounts in default, and UAMPS shall have the right to recover from the participant any amount in default. In enforcement of any such right of recovery, UAMPS may bring any suit, action, or proceeding in law as may be necessary or appropriate to enforce any covenant, agreement or obligation to make any payment for which provision is made in this Power Sales Contract against the participant and, from and after the effective date of the Agreement to Sell an Ownership Interest, UAMPS may, upon sixty days written notice to the participants, cease and discontinue providing all or any portion of the participant's power entitlement share.

The contract with UAMPS expires on the later of: (1) the date the principal, premium, if any, and interest on all of the UAMPS Hunter Project Revenue and Refunding Bonds have been paid, or (2) the final shut down of the Hunter Steam Electric Generating Unit No.2 (Hunter II), or (3) June 1, 2032.

The contract entitles Fairview City to approximately 1.0% of the output generated by Hunter II, and as a participant in the project is obligated for 0.997% of the debt service on \$54,541,382 in revenue bonds outstanding at June 30, 2005 (or \$465,500) issued to finance the acquisition of the Hunter II project.

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Fairview City  
**Notes to Required Supplementary Information**  
June 30, 2005

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund and its major Special Revenue Fund, the Municipal Building Authority (MBA) Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund and Special Revenue Fund, as well as for the Capital Projects Fund, are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2005, general government exceeded the appropriated budget by \$24,866, public safety exceeded the appropriated budget by \$7,359 and debt service interest exceeded budget by \$3,360.

Fairview City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
**(Unaudited)**  
 For the Year Ended June 30, 2005

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget Under (Over)</u>
<b>Revenues</b>				
Taxes	\$ 199,700	162,400	193,193	(30,793)
Licenses and permits	3,350	3,950	3,521	429
Intergovernmental revenues	256,919	110,700	80,038	30,662
Charges for services	113,400	115,000	121,964	(6,964)
Fines and forfeitures	20,000	16,800	14,841	1,959
Interest	650	950	1,317	(367)
Miscellaneous revenue	<u>22,000</u>	<u>49,650</u>	<u>61,255</u>	<u>(11,605)</u>
<b>Total revenues</b>	<b><u>616,019</u></b>	<b><u>459,450</u></b>	<b><u>476,129</u></b>	<b><u>(16,679)</u></b>
<b>Expenditures</b>				
General government	228,646	200,910	225,776	(24,866)
Public safety	157,494	154,500	161,859	(7,359)
Highways and public improvements	47,000	34,850	34,318	532
Parks, recreation and public property	80,100	77,440	71,794	5,646
Debt service:				
Principal	60,000	56,000	56,000	-
Interest	<u>-</u>	<u>3,800</u>	<u>7,160</u>	<u>(3,360)</u>
<b>Total expenditures</b>	<b><u>573,240</u></b>	<b><u>527,500</u></b>	<b><u>556,907</u></b>	<b><u>(29,407)</u></b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<b><u>42,779</u></b>	<b><u>(68,050)</u></b>	<b><u>(80,778)</u></b>	<b><u>12,728</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	35,857	68,485	68,485	-
Transfers (out)	<u>(78,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>(42,779)</u></b>	<b><u>68,485</u></b>	<b><u>68,485</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>435</b>	<b>(12,293)</b>	<b>12,728</b>
<b>Fund balances - beginning of year</b>	<b><u>122,485</u></b>	<b><u>122,485</u></b>	<b><u>122,485</u></b>	<b><u>(122,485)</u></b>
<b>Fund Balances - end of year</b>	<b><u>\$ 122,485</u></b>	<b><u>122,920</u></b>	<b><u>110,192</u></b>	<b><u>(109,757)</u></b>



**LARSON & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 7, 2005

Honorable Mayor and  
Members of the City Council  
Fairview City, Utah

Mayor and Council Members:

We have audited the accompanying basic financial statements of Fairview City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 7, 2005.



### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated October 7, 2005.

This report is intended solely for the information and use of the Mayor and City Council, management, and various Federal and State funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Larson & Company*

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Certified Public Accountants



## LARSON & COMPANY

REGISTERED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

October 7, 2005

Honorable Mayor and  
City Council Members  
Fairview City, Utah

Mayor and Council Members:

We have audited the basic financial statements of Fairview City, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. As part of our audit, we have audited Fairview City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Other General Compliance Issues  
Impact Fees and Other Development Fees  
Justice Courts Compliance  
Asset Forfeiture

The management of Fairview City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

SANDY, OFFICE  
9065 SOUTH 1300 EAST  
SANDY, UTAH 84094  
(801) 313-1900  
FAX (801) 313-1912

SPANISH FORK OFFICE  
765 NORTH MAIN  
SPANISH FORK, UTAH 84660  
(801) 798-3545  
FAX (801) 798-3678

MOAB OFFICE  
121 EAST 100 SOUTH SUITE 104  
MOAB, UTAH 84532  
(435) 259-9100  
FAX (801) 259-9100

MEMBER OF THE INTERNATIONAL ACCOUNTING GROUP (TIAG) + WWW.LARSCO.COM

We conducted our audit in accordance with generally accepted auditing standards and

*Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter dated October 7, 2005. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Fairview City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Larson & Company*

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Certified Public Accountants

**CITY OF FAIRVIEW, UTAH  
CURRENT YEAR FINDINGS  
JUNE 30, 2005**

**STATE COMPLIANCE FINDINGS**

**FINDING – BUDGETARY COMPLIANCE**

At June 30, 2005, the following departments exceeded budget by the following amounts:

General Fund:

• General Government	\$ 24,866
• Public Safety	7,359
• Debt Service - Interest	3,360

Additionally, the amount of budgeted revenue for property tax did not match budgeted revenue on for TC-693 as required by state law.

**RECOMMENDATION**

We recommend that the City monitor its budget more closely to ensure that budgeted amounts are not exceeded. If necessary, budget amendments should be made after proper public hearings. Form TC-693 should be filed as quickly as feasible once the City receives the necessary information.

**CITY'S RESPONSE**

The City will more closely monitor its budget and make amendments when necessary to ensure budgetary compliance.

**FINDING - DEFICIT FUND BALANCE**

The following funds had a deficit fund balance as of June 30, 2005:

Special Revenue (RDA)	\$30,159
Capital Projects Fund	\$15,763

State law prohibits deficit equity balances.

**RECOMMENDATION**

The City should also closely monitor the expenditures in these funds for the current year to ensure that the fund's deficit equity balance is reversed. One possible solution is to make transfers from the general fund for projects expected.

**CITY'S RESPONSE**

The City will monitor the expenditures and look at the possibility of transfers.

**CITY OF FAIRVIEW, UTAH  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2005**

**BOND COMPLIANCE FINDINGS**

**FINDING – BOND RESERVE ACCOUNTS**

Bond covenants for the bonds issued in 2000 require that certain amounts be set aside each month into two accounts until each reach \$38,000. The City closed these accounts during a prior year. Series A requires \$528 per month and should have a balance of \$31,584 as of June 30, 2004. Series B requires \$3,154 per month and should have a balance of \$38,000 as of June 30, 2004.

**RECOMMENDATION**

We recommend that separate reserve accounts be reopened and the necessary amounts be deposited in those accounts to bring the City into compliance with the bond covenants.

**STATUS OF PRIOR YEAR FINDINGS**

No problems noted in current audit.

**STATE COMPLIANCE FINDINGS**

**FINDING – BUDGETARY COMPLIANCE**

At June 30, 2004, the following departments exceeded budget by the following amounts:  
General Fund:

• General Government Administrative	\$ 4,201
• Judicial	11,298
• Youth Council	139
• General Government Buildings	11,422
• Police Department	12,857
• Fire Department	227,428
• Class "C" Roads	5,801
• City Shop	1,733
• Sanitation	445
• Parks	8,205
• Library	315
• Pioneer Days Celebration	6,746
• Cemetery	1,799

The Special Revenue Fund (RDA) \$ 19,057

Additionally, the amount of budgeted revenue for property tax did not match budgeted revenue on for TC-693 as required by state law.

**CITY OF FAIRVIEW, UTAH  
STATUS OF PRIOR YEAR FINDINGS (CONTINUED)  
JUNE 30, 2005**

**RECOMMENDATION**

We recommend that the City monitor its budget more closely to ensure that budgeted amounts are not exceeded. If necessary, budget amendments should be made after proper public hearings. Form TC-693 should be filed as quickly as feasible once the City receives the necessary information.

**STATUS OF PRIOR YEAR FINDINGS**

See current year findings.

**FINDING - DEFICIT FUND BALANCE**

The following funds had a deficit fund balance as of June 30, 2004:

Special Revenue (RDA)	\$30,111
Capital Projects Fund	\$116,394

State law prohibits deficit equity balances.

**RECOMMENDATION**

The City should also closely monitor the expenditures in this fund for the current year to ensure that the fund's deficit equity balance is reversed. One possible solution is to make transfers from the general fund for projects expected.

**STATUS OF PRIOR YEAR FINDINGS**

See current year findings.

**FINDING-JUSTICE COURT REPORTS**

Justice courts are required to submit to the State surcharges on fines collected and report such surcharge by the 10<sup>th</sup> of the month following collection. Of twelve monthly reports, four were filed late.

**RECOMMENDATION**

We recommend that the reports be send in on a timely basis.

**STATUS OF PRIOR YEAR FINDINGS**

No problems noted in current audit.

**CITY OF FAIRVIEW, UTAH  
STATUS OF PRIOR YEAR FINDINGS (CONCLUDED)  
JUNE 30, 2005**

**INTERNAL CONTROL FINDINGS**

**FINDING-DISBURSEMENTS**

Of sixty disbursements tested, one lacked necessary information needed to issue IRS form 1099. The disbursement was for the award given to the winner of the demolition derby.

**RECOMMENDATION**

We recommend that the City gather all information necessary (ie social security number and address) of payees subject to Form 1099 rules.

**STATUS OF PRIOR YEAR FINDINGS**

No problems noted in current audit.



**LARSON & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

October 7, 2005

The Honorable Mayor, and  
Members of the City Council  
City of Fairview, Utah

**Compliance**

We have audited the compliance of The City of Fairview (herein referred to as the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

53

**SANDY OFFICE**  
9065 SOUTH 1300 EAST  
SANDY, UTAH 84094  
(801) 313-1900  
FAX (801) 313-1912

**SPANISH FORK OFFICE**  
765 NORTH MAIN  
SPANISH FORK, UTAH 84660  
(801) 798-3545  
FAX (801) 798-3678

**MOAB OFFICE**  
121 EAST 100 SOUTH SUITE 104  
MOAB, UTAH 84632  
(435) 259-9100  
FAX (801) 259-9100



### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control that we have reported to the management in a separate letter dated October 7, 2005.

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. Our audit was performed for the purpose of forming an opinion of the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the City Council, management, and various federal and state funding and auditing agencies. However, this report is a matter of public record and its distribution is not limited.

*Larson & Company*

Larson & Company  
Certified Public Accountants

**CITY OF FAIRVIEW, UTAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005**

**SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the City of Fairview.
2. No instances of noncompliance material to the financial statements of the City of Fairview were disclosed during the audit.
3. The independent auditors' report on compliance for the major federal award programs for the City of Fairview, expresses an unqualified opinion.
4. The audit disclosed no audit findings that are required to be reported under OMB Circular A-133.
5. The program tested as a major program is:

Water and Waste Disposal Loans and Grants	10.770
---	--------
6. The threshold for distinguishing Types A and B programs was \$500,000.
7. The City of Fairview was not determined to be a low-risk auditee.

**FAIRVIEW CITY, UTAH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Thru/ Grantor/Program Title		<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Contract</u>	<u>Amount of Expenditures</u>
<b>Direct Assistance:</b>				
<b>U.S. Department of Agriculture:</b>				
Water and Waste Disposal Loans and Grants	*	10.770	N/A	1,347,909
<b>U.S. Department of Justice:</b>				
Local Law Enforcement Block Grant		16.592	4B95	7,500
<b>U.S. Department of Homeland Security</b>				
Assistance to Firefighters		97.044	N/A	4,968
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 1,360,377</u></u>
* Major Program				

**CITY OF FAIRVIEW, UTAH**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Fairview (City). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements.